



General Assembly

January Session, 2007

Substitute Bill No. 7251

* _____ HB07251ET _____ 030807 _____ *

AN ACT CONCERNING UTILITY AUDITS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 16-8 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) The Department of Public Utility Control may, in its discretion,
4 delegate its powers, in specific cases, to one or more of its
5 commissioners or to a hearing examiner to ascertain the facts and
6 report thereon to the department. The department, or any
7 commissioner thereof, in the performance of its duties or in connection
8 with any hearing, or at the request of any person, corporation,
9 company, town, borough or association, may summon and examine,
10 under oath, such witnesses, and may direct the production of, and
11 examine or cause to be produced and examined, such books, records,
12 vouchers, memoranda, documents, letters, contracts or other papers in
13 relation to the affairs of any public service company as it may find
14 advisable, and shall have the same powers in reference thereto as are
15 vested in magistrates taking depositions. If any witness objects to
16 testifying or to producing any book or paper on the ground that such
17 testimony, book or paper may tend to incriminate him, and the
18 department directs such witness to testify or to produce such book or
19 paper, and he complies, or if he is compelled so to do by order of court,
20 he shall not be prosecuted for any matter concerning which he has so

21 testified. The fees of witnesses summoned by the department to appear
22 before it under the provisions of this section, and the fees for
23 summoning witnesses shall be the same as in the Superior Court. All
24 such fees, together with any other expenses authorized by statute, the
25 method of payment of which is not otherwise provided, shall, when
26 taxed by the department, be paid by the state, through the business
27 office of the department, in the same manner as court expenses. The
28 department may designate in specific cases a hearing examiner who
29 may be a member of its technical staff or a member of the Connecticut
30 Bar engaged for that purpose under a contract approved by the
31 Secretary of the Office of Policy and Management to hold a hearing
32 and make report thereon to the department. A hearing examiner so
33 designated shall have the same powers as the department, or any
34 commissioner thereof, to conduct a hearing, except that only a
35 commissioner of the department shall have the power to grant
36 immunity from prosecution to any witness who objects to testifying or
37 to producing any book or paper on the ground that such testimony,
38 book or paper may tend to incriminate him.

39 (b) (1) In the performance of its duties the Department of Public
40 Utility Control may establish management audit teams as a regular
41 and continuing component of its staff. The management audit teams
42 shall be composed of personnel with a professional background in
43 accounting, engineering or any other training as the department may
44 deem necessary to assure a competent and thorough review and audit.
45 The department shall promptly establish such procedures as it deems
46 necessary or desirable to provide for management audits to be
47 performed on a regular or irregular schedule on all or any portion of
48 the operating procedures and any other internal workings of any
49 public service company, including the relationship between any public
50 service company and a related holding company or subsidiary,
51 consistent with the provisions of section 16-8c, provided no such audit
52 shall be performed on a community antenna television company,
53 except with regard to any noncable communications services which
54 the company may provide, or when (A) such an audit is necessary for

55 the department to perform its regulatory functions under the
56 Communications Act of 1934, 47 USC 151, et seq., as amended from
57 time to time, other federal law or state law, (B) the cost of such an audit
58 is warranted by a reasonably foreseeable financial, safety or service
59 benefit to subscribers of the company which is the subject of such an
60 audit, and (C) such an audit is restricted to examination of the
61 operating procedures that affect operations within the state.

62 (2) In any case where the department determines that an audit is
63 necessary or desirable, it may (A) order the audit to be performed by
64 one of its management audit teams, (B) require the affected company
65 to perform the audit utilizing the company's own internal
66 management audit staff as supervised by designated members of the
67 department's staff, or (C) require that the audit be performed under
68 the supervision of designated members of the department's staff by an
69 independent management consulting firm selected by the department,
70 in consultation with the affected company and the Office of Consumer
71 Counsel. If the affected company has more than seventy-five thousand
72 customers, such independent management consulting firm shall be of
73 nationally-recognized stature. All reasonable and proper expenses of
74 the audits, including, but not limited to, the costs associated with the
75 audit firm's testimony at a public hearing or other proceeding, shall be
76 initially borne by the affected companies. [and shall be paid by such
77 companies at such times and in such manner as the department
78 directs.]

79 (3) For purposes of this section, a complete audit shall consist of (A)
80 a diagnostic review of all functions of the audited company, which
81 shall include, but not be limited to, documentation of the operations of
82 the company, assessment of the company's system of internal controls,
83 and identification of any areas of the company which may require
84 subsequent audits, and (B) the performance of subsequent focused
85 audits identified in the diagnostic review and determined necessary by
86 the department. All audits performed pursuant to this section shall be
87 performed in accordance with generally accepted management audit

88 standards. The department shall adopt regulations in accordance with
89 the provisions of chapter 54 setting forth such generally accepted
90 management audit standards. Each audit of a community antenna
91 television company shall be consistent with the provisions of the
92 Communications Act of 1934, 47 USC 151, et seq., as amended from
93 time to time, and of any other applicable federal law. The department
94 shall certify whether a portion of an audit conforms to the provisions
95 of this section and constitutes a portion of a complete audit.

96 (4) A complete audit of each portion of each gas, electric or electric
97 distribution company having more than seventy-five thousand
98 customers shall begin no less frequently than every six years, so that a
99 complete audit of such a company's operations shall be performed
100 every six years. Such an audit of each such company having more than
101 seventy-five thousand customers shall be updated as required by the
102 department.

103 (5) The final results of an audit performed pursuant to this section
104 shall be filed simultaneously with the department and the Office of
105 Consumer Counsel and shall be open to public inspection. The audit
106 shall be completed not later than one year following a department
107 order that it be performed. Upon completion and review of the audit, if
108 the person or firm performing or supervising the audit determines that
109 any of the operating procedures or any other internal workings of the
110 affected public service company are inefficient, improvident,
111 unreasonable, negligent or in abuse of discretion, the department may,
112 after notice and opportunity for a hearing, order the affected public
113 service company to adopt such new or altered practices and
114 procedures as the department shall find necessary to promote efficient
115 and adequate service to meet the public convenience and necessity.
116 The department shall annually submit a report of audits performed
117 pursuant to this section to the joint standing committee of the General
118 Assembly having cognizance of matters relating to public utilities,
119 with a copy to the Office of Consumer Counsel, which report shall
120 include the status of audits begun but not yet completed and a

121 summary of the results of audits completed.

122 (6) All reasonable and proper costs and expenses, as determined by
 123 the department, of complying with any order of the department
 124 pursuant to this subsection shall be recognized by the department for
 125 all purposes as proper business expenses of the affected company.

126 (7) After notice and hearing, the department may modify the scope
 127 [and schedule] of a management audit of a telephone company which
 128 is subject to an alternative form of regulation so that such audit is
 129 consistent with that alternative form of regulation.

130 (c) Nothing in this section shall be deemed to interfere or conflict
 131 with any powers of the department or its staff provided elsewhere in
 132 the general statutes, including, but not limited to, the provisions of this
 133 section and sections 16-7, 16-28 and 16-32, to conduct an audit,
 134 investigation or review of the books, records, plant and equipment of
 135 any regulated public service company.

This act shall take effect as follows and shall amend the following sections:		
Section 1	from passage	16-8

ET *Joint Favorable Subst.*